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FISCAL IMPACT STATEMENT

LS 7237

BILL NUMBER: SB 522

NOTE PREPARED: Jan 13, 2009

BILL AMENDED:

SUBJECT: Sales and Income Tax Increment Districts.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill deletes references to Sales Tax increment financing in the statutes governing global commerce centers (which are not authorized to use Sales Tax increment financing). It provides that the increment in state Sales Tax revenues in a Community Revitalization Enhancement District (CRED) established after June 30, 2009, or in an area added to such a CRED may not be captured by the CRED for purposes of Sales Tax increment financing.

This bill provides that the increment in state Adjusted Gross Income Taxes paid by workers in a CRED established after June 30, 2009, or in an area added to a CRED after June 30, 2009, may not be captured by the CRED for purposes of income tax increment financing. It prohibits the approval of economic development project districts (which are authorized to use Sales Tax increment financing) by the State Board of Finance after June 30, 2009.

It also provides that the increment in state Sales Tax revenues in a Certified Technology Park (CTP) established after June 30, 2009, may not be captured by the CTP for purposes of Sales Tax increment financing. The bill provides that the increment in state Adjusted Gross Income Taxes paid by workers in a CTP established after June 30, 2009, may not be captured by the CRED for purposes of income tax increment financing.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR must calculate the "income tax incremental amount" for districts approved by the State Budget Agency (SBA) or areas added to the district after June 30, 2009, based on the procedure established in the bill. The DOR's current level

of resources should be sufficient to carry out these provisions.

Explanation of State Revenues: Summary -The bill makes the following changes.

- (1) The bill prohibits CREDs approved after June 30, 2009, or areas added to existing CREDs and approved after that date, from capturing incremental Sales Tax revenue and incremental state Income Tax revenue.
- (2) The bill prohibits Certified Technology Parks designated after June 30, 2009, from capturing incremental Sales Tax revenue and incremental state Income Tax revenue.
- (3) The bill prohibits the State Board of Finance from approving any Sales Tax Increment Financing (STIF) districts under current statute after June 30, 2009.
- (4) The bill eliminates the provision under current statute allowing Global Commerce Centers to capture incremental Sales Tax revenue.

The bill will prevent future loss of Sales Tax revenue and state Income Tax revenue attributable to new CREDs, expansions of new and existing CREDs, and new CTPs. The bill also will prevent future loss of Sales Tax revenue due to the designation of STIF districts or Global Commerce Centers. The potential future revenue loss mitigated by this bill is indeterminable.

Sales Tax collections are currently deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%). State income tax revenue is distributed to the state General Fund.

Background Information-

Community Revitalization Enhancement Districts: Under current statute, CREDs may be established in certain specified local units, and in 1st and 2nd class cities. CREDs are allowed to capture incremental revenue from Sales Tax, state Income Tax, and local option income taxes. A local resolution to designate a CRED must be reviewed by the State Budget Committee and approved by the State Budget Agency. Under provisions allowing CREDs in specific local units, there are currently seven operational CREDs: Bloomington (2 CREDs), Delaware County, Fort Wayne, Marion (2 CREDs), and South Bend. In FY 2007, these CREDs captured approximately \$2.6 M in Sales Tax revenue and \$1.6 M in state Income Tax revenue. The annual capture limit for each of these CREDs is \$1 M. Under provisions allowing CREDs in 1st and 2nd class cities, only one CRED, in Indianapolis, is operational. The Indianapolis CRED did not capture any revenue in FY 2007. In addition 17 2nd class cities may establish a CRED, but only Anderson has been approved for a CRED. The Anderson CRED is, however, not operational. (Note: Since 2005, the state of Indiana has set a moratorium on establishing new CREDs.) The annual capture limit for the CREDs in 1st and 2nd class cities is \$750,000.

Certified Technology Parks: CTPs must be designated by the Indiana Economic Development Corporation (IEDC). CTPs are allowed to capture incremental revenue from Sales Tax, state Income Tax, and local option income taxes. Currently, there are 19 CTPs located in: Anderson, Bloomington, Columbus, Crown Point, Evansville, Ft. Wayne, Hammond, Indianapolis (2), Jeffersonville, Kokomo, Muncie, Richmond, Scottsburg, Shelbyville, South Bend, Terre Haute, Washington (the West Gate at Crane Naval Warfare Center), and West Lafayette. In FY 2007, 12 CTPs captured approximately \$939,000 in Sales Tax revenue and \$2.7 M in state

Income Tax revenue. The capture limit for a CTP is \$5 M over the life of the CTP.

STIF Districts: Current statute authorizes STIF districts in Hammond, South Bend, Fort Wayne, and Evansville. A STIF district is allowed to capture incremental Sales Tax. These districts must be approved by the State Board of Finance. So far, no STIF districts have been established.

Global Commerce Centers: A Global Commerce Center must be designated by the IEDC. A Global Commerce Center is allowed to capture incremental state Income Tax and local option income taxes. Currently, there are no operational Global Commerce Centers.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; SBA; State Board of Finance; IEDC.

Local Agencies Affected: Local units.

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